

Free press, regulated competition Cartels and collaboration in the 20th century Finnish newspaper business

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Work in progress

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Introduction

Freedom of press is one of the cornerstones of modern democracy, but this paper suggests that media companies can be as eager as other businesses to limit their mutual competition. Previous scholars have written a lot on the consolidation of media companies, but have given little attention to other ways of limiting competition in this field of economic activity.

In this paper, we take a long-term perspective, and study how Finnish newspapers regulated competition during the 20th century. Our research suggests that managers and owners, for example, set up newsprint buyers' cartels as well as agreed on common advertisement and subscription prices. Ideological divisions and commercial rivalry hindered these activities but did not stop them.

In this paper we present some of our preliminary findings of our ongoing research project. It will combine two fields of scholarship: media and cartel studies, which are both vibrant fields of academic activity, but are rarely tied together. The broad time scope of our study helps to pinpoint significant turns in the long-term development of newspaper industry. Our project aims to answer why Finnish newspaper industry set up cartels in early 20th century, and why they remained an important feature in this business until the 1980s. What promoted and hindered cartelization? Which forms of regulated competition were used and how they worked? Our research so far suggests that the cartelization of newsprint suppliers stimulated the cartelization of their customers, the newspaper industry, but the latter realised that it was also beneficial to regulate advertisement and subscription prices.

The paper is based on rich source materials. We have discovered that the archives of the Finnish Newspaper Publishers' Association (Suomen Sanomalehdenkustantajain Liitto) are particularly useful, because this organisation (from 1948 Sanomalehtien Liitto, i.e. Newspapers' Association) operated as a cartel that tried to limit competition between its members. We have also utilised published works and collections of other press organisations. The results can be useful for scholars working in many fields, including cartels, media history, media economics and political history. After all, during the 20th century, newspapers were one of the most visible and

influential sectors of our economies, even though the absolute level of their revenues or profits could not compete with giants like oil or car industries.

Finnish newspapers' cartel 1908-1980: an overview

Newspapers in Finland regulated their mutual competition with cartel agreements for the large part of the 20th century. This was done mainly through the Newspapers' Association, and its predecessors, which represented the bourgeois (i.e. non-socialist) press since 1908.

The Finnish leftish newspapers did not have cartels, but according to the archival sources they did respond in the 1920s and 1930s to price changes made by the bourgeois newspapers.¹ A more intimate cooperation was politically impossible. A brutal civil war in 1918 between socialists and non-socialists, which had started immediately after Finland had declared itself independent from Russia, had left deep scars. The relations between the defeated "reds" and victorious "whites", as the two sides were called, were cool, and in some cases openly hostile. Although the new independent Finland was a parliamentary democracy, whose press enjoyed journalistic freedom, communists could not, before 1944, operate without restrictions. The social democrats could, but the relations between them and many bourgeois politicians were tense throughout the interwar years. As most newspapers had been set up or owned by people who were active in political life, these divisions were present also the newspaper business. The bourgeois-liberal press was a heterogeneous group consisting of various conservative, liberal, right-wing, agrarian and progressive papers, and included both Finnish- and Swedish-language ones (previously often critical of each other). Before the World War II they could collaborate in cartel, but after the war the bourgeois cartel front got partly disunited.

The cartel tried, above all, to regulate advertisement and subscription prices as well as to help its members to acquire affordable supplies of newsprint and attractive advertisement deals. The Finnish newspaper market was provincially divided, and as for the advertisement and subscription price fixing the cartel agreements were local arrangements which the Publishers' Association coordinated. Technically, the newspaper cartel consisted of a series of agreements that were re-negotiated and renewed regularly.

We have divided the history of the Finnish newspaper cartels into three periods. The first one started in 1908 and lasted until the outbreak of the World War II. The second started after 1945 and the third in 1968.

The hey-day of the newspapers cartel was, by no surprise, the interwar period when the economic environment in Europe was in general more prone to cartelization than during any other part of the 20th century. European governments were just beginning to pay attention to them, but did not yet seek to regulate their activities. Cartels were a standard solution when private companies and sometimes even governments wanted to find ways to intervene in the operation of markets. The newspaper industry fitted well to this general picture. In fact, there were many structural features in this business that made it a fruitful soil for cartels during economically volatile years of 1908-1939: high sunk costs, low profitability, high raw material costs and increasing demand for newspapers all encouraged for cartelization.

¹ Työväenarkisto, Kansanvalta Oy.

The cartel started to deteriorate in the second period. According to our findings, this was triggered off by a decline in membership, which made the cartel substantially less lucrative for the remaining members. Interestingly, there was no obvious commercial similarity between the publishers who left the cartel – they did not, for example, represent the same size, product type, or market behaviour. Instead, the decisions seemed to have been politically motivated. Those newspapers that left were supporters of the centrist Agrarian League (Maalaisliitto), and probably wanted to reassert their independence in a new political atmosphere, where the party had managed to become the strongest non-socialist political group. Those that left did not establish a new, better cartel, but just stopped collaborating with the old one.

Despite the loss of members, after the 1945 the newspaper's cartel continued to coordinate price fixing practices, although less effectively than before. The cartel's "head-quarters", i.e. the Newspapers' Association's office, could only offer recommendations to its members; it could not control members or pressure them to maintain price discipline in the way it did before World War II. The growing number of non-member papers weakened the position of the cartel HQ, and the centralized and controlled structure was gradually replaced with more uncontrolled arrangements, where direct links between members played an important role.

In the late 1960s, three important developments influenced the operation of the cartel. Firstly, the Finnish currency was devalued in 1967, which led to forceful efforts by the government to control inflation. The authorities introduced extensive price controls over many goods, newspapers being one of them. Between 1968 and 1971 the publishers could not lift the newspaper prices without asking permission from the state authorities. This naturally hindered greatly the working of the cartel.

Secondly, the Finnish competition legislation gradually became tighter. The first, rather relaxed law in this field had been introduced in the late 1950s, and in 1964 it was replaced with a somewhat stricter one. The competition authorities put the agreements between the advertisers' association and the newspaper cartel to their registers and started monitoring what was going on. Practical effect of this was that the meetings between the publishers and advertising agencies became public conferences in which government representatives attended. Furthermore, and more importantly, the anti-cartel law prohibited explicit price fixing practices from 1968 onwards. As a result, the Newspapers' Association's office stopped being a cartel and started to behave more like a lobby organisation.

The cartel-like aspects mostly vanish from the source materials from the 1968 onwards. No price recommendations were given, and no formal coordination occurred. Sources and previous research indicate, however, that some of the cartel practices went underground and lived on until the 1980s, at least between the biggest papers. There was, for instance, a gentlemen's agreement regarding "predator" products such as freely distributed papers. And papers continued, at least for some time after the late 1960s, to discuss price levels informally.² The anti-cartel law therefore did not remove all cartel practices, but in many cases encouraged to modify them to a less-transparent form.

The third important change in the late 1960s was government financial support to newspapers, which altered the competition entirely. These subsidies were introduced by the social democratic government to revitalise the withering newspaper industry. Those that were

² Viranko, (1966) *Suomen sanomalehdistö*

suffering received more subsidies and those that were well-off received less. This meant that the leftish press received more free money than the bourgeois. We have not looked all the variations it introduced to the newspaper business, but without a doubt the financial support decreased the incentives to collaborate though private price fixing.

What supported and hindered the cartelization of Finnish newspaper publishers throughout the century? Our original hypothesis was that the demand for newspapers, market saturation (increased competition), and fluctuating newsprint prices had led to the setting up of the cartel. Our hypothesis was correct but incomplete; it turned out that not only the markets, but also politics had a substantial role in defining how the cartel collaboration came about. For instance, in the 20th century there were two World Wars and their effect on the newspaper demand and newsprint prices were in both cases significant and similar; both went up. For the newspaper business World Wars were a boom and depression in one package; circulation number grew which increased the subscription and advertisement revenues, but then again, the skyrocketed newsprint prices consumed the profits. However, although both wars had a similar impact on markets, their impact on the operations of the cartel was different. World War I stimulated cartel, and the World War II disintegrated it. So what is the changing variable?

In our view, searching the explanation from the market alone is inadequate. The gradual disintegration from late 1940s onwards was not motivated by commercial reasons alone, as already suggested, but by political developments. Furthermore, the disbanding or rather the transformation of the nationwide cartel in 1968 occurred because of normative changes in competition law.

It is obvious that there is no single explanation, a grand narrative, explaining the triggers and obstacles of the cartelization of the Finnish newspapers in the 20th century. Rather, it is a collection of time-specific and environment-related reasons. In the first part from the 1909 until the 1939 fluctuating newsprint price and growing demand for newspapers promoted cooperation between companies. Discords between the bourgeois-minded publishers did not yet hinder the collaboration. In the second period 1945-1968 private cartelization was in theory supported by the rising newsprint price and growing demand, but the war-time regulations that lasted partly until the early 1950s as well as the break-up of the bourgeois-minded publishers hindered the price fixing practices insomuch that the cartel became substantially weaker. The changes in normative legal environment, the government-introduced price-freeze in 1968-1971 and the public financial support that distorted competition, led to the transformation of cartel practices into underground activity.

Before proceeding to analyse in greater detail the history and operations of the cartel, we would like to make few characterizations of the newspaper industry. After all, structural features like total pool of competitors, firm size, markets, pricing traditions, entry and sunk costs, overall profitability, structure of expenditure and revenues, related industries, as well as the character of business creates the fundamental framework for collaboration. For example, firms with high sunk and entry cost tend to have different cartel profile (when to launch cartels, how to control the members) than firms with low sunk cost.

Structure of market and industry

Following table shows how the number of newspapers has developed over the 20th century.

Table 1: Number of Finnish newspapers 1917-1980³

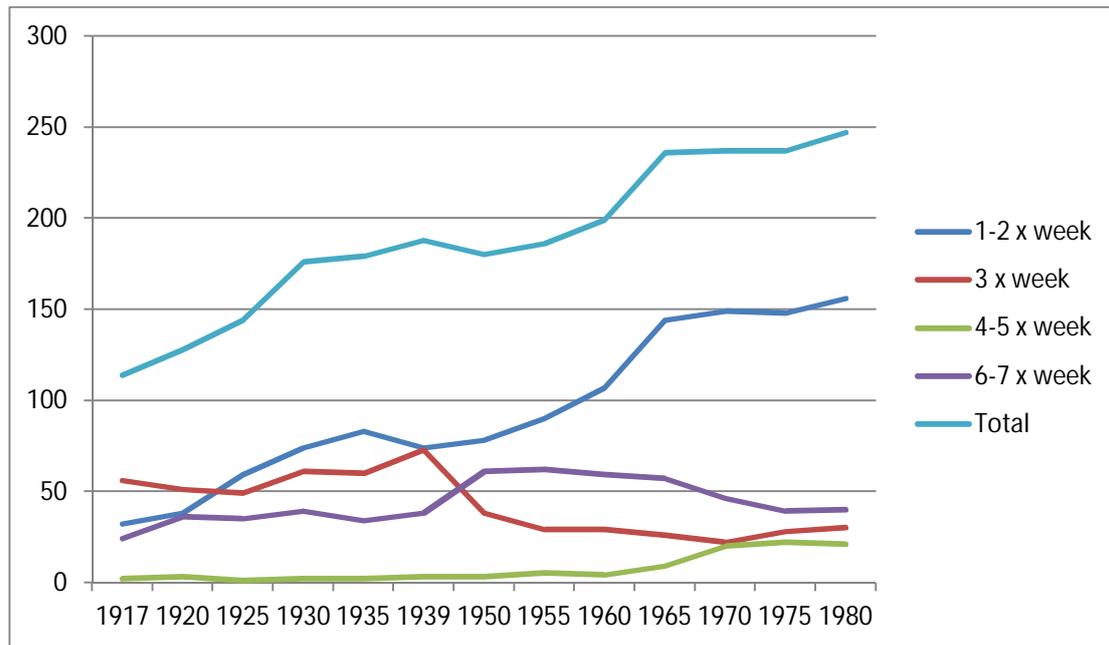


Table above indicates that the level of concentration in the industry was low, in other words there were lots of small firms. The situation was similar in other Nordic countries, which, according to existing research, also had a large number of small newspapers, small meaning here a circulation volume less than 10 000.⁴ What is peculiar about the Finnish market is that one paper, *Helsingin Sanomat*, gradually achieved a dominant position. Today (2012-2013), it has everyday no less than 849,000 readers while the next biggest newspaper has only 281,000.⁵ The growing strength of one paper has affected the relationship between it and other papers, not least because the the invincible *HS* has had less need to resort to restricted competition and price fixing than its smaller and not-so-well-off competitors. While others sought for group power from the Publishers' Association vis-a-vis newsprint suppliers and advertising agencies, *Helsingin Sanomat* could make its' own deals, if it chose to do so. Outside Helsinki, the competitive situation was more equal. Provincial markets had many newspapers, which competed over readers.

Finland can be divided into 16 main regions, in which there were 2-3 "leading" papers published 5-7 times a week, and in addition, a bunch of local newspapers coming out 1-4 times a week.⁶ Finnish newspapers could be divided, in nutshell, to following groups:

1. Leading national newspaper(s), published in the region of Helsinki
2. Leading provincial newspapers

³ Nygård, Tommila, et al, (1987) *Suomen lehdistön historia*, 2, p. 203. Tommila, Perko, et al, (1988) *Suomen lehdistön historia* 3, p. 319.

⁴ *ibid.*, p. 333.

⁵ <http://www.levikintarkastus.fi/mediatutkimus/Kokonaistavoittavuus%20S12-K13.pdf>. It is different in other Nordic countries The circulation in 2011 of the three most popular morning newspapers in 2011 Dagens Nyheter, Göteborgs-Posten, Svenska Dagbladet and Sydsvenskan with following circulation volume 292 100 (DN), 216 300 (GP) , 186 000 (SD), 111 000 (SS). Source: www.ts.se (Sweden). It appears that the situation in Denmark and Norway is similar to Sweden.

⁶ *ibid.*

3. Local newspapers

Cartel activity occurred in all sectors. In the first half of the century there were four newspapers in the first group (*Helsingin Sanomat*, *Uusi Suomi*, *Hufvudstadsbladet*, and *Suomen Sosialidemokraatti*), and in the latter half only two (*HS* and *Hbl*). Price fixing between the major newspapers occurred regularly in the interwar period, and less regularly after 1945.

The competition between provincial newspapers can be understood as competition between 2-3 main bourgeois newspapers in each of the 16 provincial markets. The leftish newspapers (social democrats and communists) had a share of 16 percent of the total circulation volume in 1950 and 10 percent in 1970, so it is safe to say that the *typical provincial newspaper* market was divided between a few bourgeois leading newspapers and a bunch of local papers.⁷

The number of Finnish daily newspapers between 1917 and 1980 was between 24 and 62, so that in 1917 there were 24, in the peak year 1955 62 which after it decreased to 40 in 1980.⁸ During this time the total number of Finnish newspapers grew steadily from 114 to 247.

We do not have statistical data over the profitability and costs of newspapers throughout the century, but earlier research and archival sources suggest that the profitability of the Finnish newspaper industry was low for the most part of the 20th century. There were exceptions, like *Helsingin Sanomat*, but the overall picture was rather depressing. A state report from 1960 concludes that most of the newspapers worked at the fringes of profitability. Based on the source material, we identify following reasons for low profitability: low subscription and advertisement prices, high raw material (newsprint) costs and heavy investments. We bring this up because previous research on cartels has linked the continuous low profitability with firms' willingness to collude in a cartel, particularly if it coincides with high sunk costs.⁹

As what comes with the entry and sunk costs, they were high in the newspaper business. It took years to make a newspaper business to return profits. The owners were motivated, especially during economic downturns, to start collaborating in order to support price levels rather than letting their enterprises go bankrupt. We see this development in action in the interwar period. After the 1945, on the contrary, the collaborative will is hindered by diverging political opinions.

Newspaper is closely related with two industries: paper industry and advertising. To illustrate their importance we have put the costs and income in the economy of an average Finnish newspaper in the 1950.

Table 2: Economy of an average Finnish newspaper in the 1950¹⁰

Revenue		Expenditure	
Advertisement income	50,5 %	Paper	25 %
Subscription income	49,5 %	Staff	~40 %

⁷ *ibid.*

⁸ Nygård, Tommila, et al, (1987) *Suomen lehdistön historia*, 2, p. 203. Tommila, Perko, et al, (1988) *Suomen lehdistön historia* 3, p. 319.

⁹ Schmitt/Weder, (1995) 'Sunk Cost'. Green/Porter, (1984) 'Noncooperative Collusion'. MacKie-Mason/Pindyck, (2007)'Cartel Theory'. Levenstein/Suslow, (2006) 'What Determines'. Suslow, (2005) 'Cartel contract'

¹⁰ Tommila, Perko, et al, (1988) *Suomen lehdistön historia* 3, p. 379, 391.

Pressure from the competition in the advertisement business and the strong and unified cartels between the newsprint suppliers (of which we will talk later) directed, by no surprise, the newspaper business and its cartels. They were important triggers of cartelization and moulded its form throughout the century.

Light grey rows in the table 2 refer to items that the Newspapers' Publishers association sought to regulate in the 20th century.

We can read also from the table above that a newspaper is a dual product, as indeed scholarship on media economics suggest. It is a journalistic product for readers and an advertising media for firms. The more newspaper has readers, the more valuable is its advertising impact; the more it got readers, the more it can ask for its ad-slots. Rising subscription and advertisement revenues goes hand in hand; and respectively, less readers leads to declining advertisement revenue. This brought certain dynamism in the cartel activities too.

Emerge of advertising industry is linked to the history of newspapers. Advertisement agencies were born in the early 20th century to assist companies to spread their commercial messages through the media. The ad-agencies were the middlemen between the one who needed a slot in the newspaper and the one that provided it. The middleman altered the price formation between the newspaper and the company – it offered discounts to companies, and pressed the advertisement income down for the papers – which drew the attention of the newspapers' and encouraged them to try to regulate the ad business.

Advertisement was (and, of course, still is) a commodity exchanged between newspapers and advertisement agencies. It was exchanged by various actors and in various ways –conditions, quality and price rate all varied. In the 1910s the business was described as "*wild*". There were "fiddlers" involved, and even those who were among the honourable agencies were constantly trying to squeeze out discounts and special offers from the newspapers, which, of course, was not serving the interest of the newspapers. Creating unified practices against the advertisement agencies was one of the ultimate reasons why the newspapers' cartel was set up. The collective of bourgeois newspapers decided upon mutual discount policy towards ad agencies, and defended it as a team. The concentration of the advertisement industry that took off slowly in the interwar years created more coherent negotiation partner for the newspaper cartel.

Organizing and rationalising the bargaining between the ad agencies and the newspaper industry is one of the most long-lasting layers in the newspapers' cartel; it continued throughout the century, even after the enactment of the anti-cartel legislation in the 1960s which criminalized the unified subscription price policy.

The Publishers' Association itself was at a centre of wider network of bourgeois interests in the Finnish publishing sector. This sector included not just newspapers, but all the different industries related with newspaper business; printing houses, advertisement agencies, news agencies and bookstores. This had a significant impact on the working of the cartel; the Publishers' Association could use a threat of exclusion from a larger business circle to inhibit chicanery among cartel members and to convince outsiders to join in.

The Beginning: 1908-1939

On 15 November 1908, around fifty gentlemen from all around Finland gathered to a meeting in Helsinki. They represented 40 Finnish bourgeois newspapers, and they had come to Helsinki to talk about harmonisation of subscription and advertisement prices. The story of the Finnish newspapers' cartel, which would continue for a good 60 years, began that Sunday evening.¹¹

In the first meeting the treasurers of papers talked about mutual policy on following things:

- 1) Subscription and advertisement prices and discounts
- 2) Gaining negotiation power over advertising agencies and their inexhaustible attempts to bargain over advertisement prices
- 3) Gaining more bargaining power in negotiations with Finnish paper mills, which were in a strong position and could almost dictate the price of newsprint.

These three themes formed the core activities of the cartel during its opening decades.¹²

Lack of archive material concerning the first decade of the cartel makes it hard to make an exact analysis of its constitution. However, early literature suggests that during its first ten years it did not operate particularly systematically. The representatives of the Finnish bourgeois press did meet at least once a year to talk about prices. They established an association called *Suomen Lehtijulkaisijat* (Finnish Paper Publishers) for the purpose of promoting their interests. It lived on until 1916.¹³

It appears that the pre-war cartel was a loose agreement between those who had the biggest incentive to control competition. There were no systematic attempts to control members, who could easily hop in and out of joint collusive practices.¹⁴ We estimate that competing newspapers in the biggest towns had the best prerequisites (and strong incentives) to fix prices *successfully*.

The World War I changed a lot, and led to an emerge of controlled, systemized, and nationwide newspapers' cartel. The consumption of newsprint skyrocketed worldwide after the bullets were shot in Sarajevo in 1914. The world yearned for news, and the Finns were no exception. Indeed, the circulation of Finnish newspaper grew fast, and continued to grow during the first politically unstable and eventful post-war years. For newspaper publishers this was clearly a commercial opportunity. High demand encouraged them to increase prices – but then again, if only paper A increased its subscription price, it might give a competitive advantage to B and C, who were competing in the same market. Therefore, it was best to raise prices together.

Yet, the increased demand for news meant that the demand for newsprint grew as well, and when World War ended in 1918, the Finnish paper producers began to sell it to Western European markets. The price for newsprint increased steadily in the 1910s, as we can see from the table 3 below. In 1916 the price was already 65 per cent higher than before the war; yet the subscription prices had not increased substantially.¹⁵

¹¹ Pehu-Lehtonen, (1934) *25 vuotta sanomalehtien yhteistoimintaa*

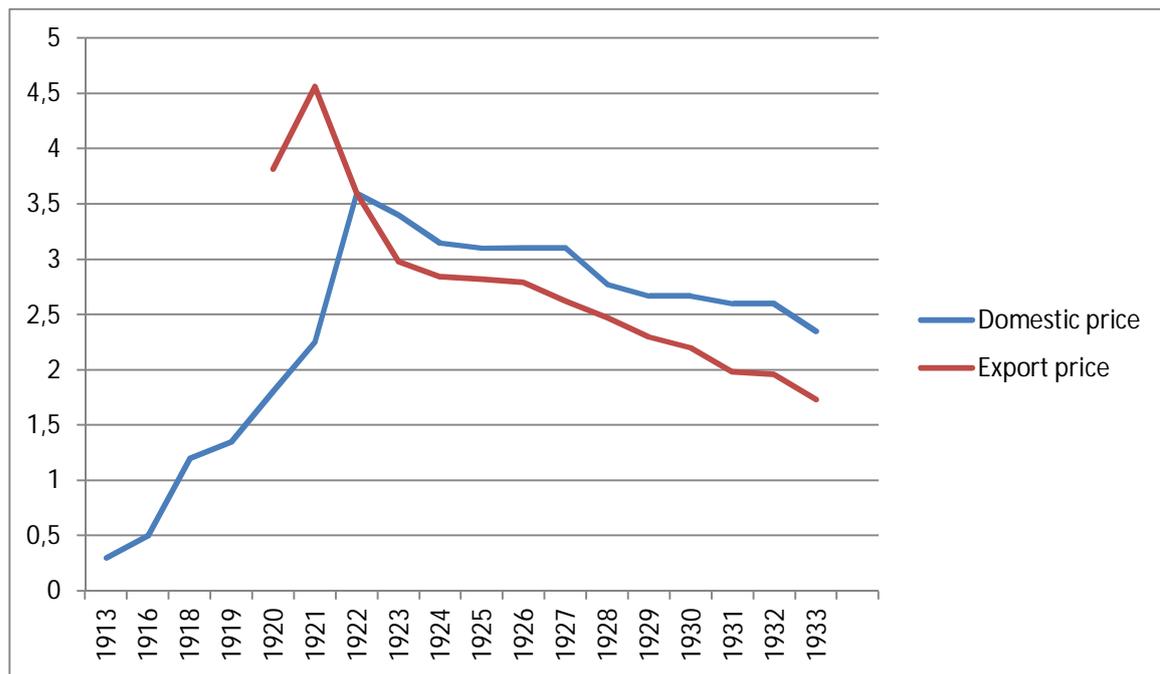
¹² *ibid.*, p. 8.

¹³ *ibid.*, pp. 8-11.

¹⁴ *ibid.*, pp. 8.11, 16.

¹⁵ *ibid.*, p. 56.

Table 3: Newsprint price 1913-1933¹⁶



The Finnish newsprint producers had strengthened their own position with the same method the newspapers were using: cartelization. Their main goal was to promote sales to crucially important Russian markets, but the newspaper cartel increased the domestic prices as well. This sellers' cartel encouraged buyers to coordinate their purchasing activities, but in the early 1910s individual publishing companies still negotiated independently with the Finnish paper mills. These one-to-one negotiations produced diverging results. Others paid more, others less.¹⁷

As we can see from the table above, the newsprint prices rose furiously. It put a serious pressure on the economies of Finnish newspapers and drove most of them beyond the fringes of profitability. Collective pressure brought the bourgeois publishers together. They started to demand more moderate newsprint prices, because otherwise the Finnish (bourgeois) press would be destroyed. This led to a very public battle between the newspaper publishers and the paper mills over newsprint prices and debates about its implications to society.¹⁸

It seemed to be difficult to push prices down in one-to-one negotiations with organised newsprint suppliers. The war had also created many other abnormalities and problems in this field which had to be solved. These included paper shortages, delivery disruptions, and low quality.¹⁹ The coinciding problems brought the newspapers' publishers into closer collaboration compared with the pre-war cartel. They needed to speak with one voice to the paper mills. The timing was good, because two years later the Finnish paper industry strengthened substantially its cartels too. While the pre-war collaboration between the paper mills was informal and not very systematic, the loss of the vital Russian markets after the collapse of the Romanov Empire

¹⁶ *ibid.*

¹⁷ *ibid.* p. 53.

¹⁸ *ibid.* p. 53

¹⁹ *ibid.*, p. 55.

triggered off more systematic and indeed well-organized a joint paper sales organisation (usually known with acronym Finpap) in order to break into Western European markets.²⁰ It, and later its subsidiary organisation Suomen Paperikonttori, handled also sales to domestic customers.

The newspapers were not going to build yet another loose regulation scheme, and therefore the basic principles of the new Publishers' Association were defined carefully in 1916-1918. Members had rights and obligations. They were obligated to comply with the decisions made by the association board or decisions that were reached through majority vote. The provincial newspapers were allowed to make regional contracts that were compatible with the goals of the Publishers' Association. These contracts received the blessing of the Association and were considered binding.²¹ Members would make price agreements with their provincial competitors, and Publishers' Association would act as a mediator in disputes.

The forms of regulation were not written down in the official statutes, but they can be interpreted by looking at the practices. The cartel regulated both the price and the product. In the 1918-1939 there were at least following ways to control the business of individual newspaper publishing firm:

- No subscription prices below the minimum level set by the Publishers' Association
- No advertisement prices below the minimum level set by the Publishers' Association
- No special agreements with the Paper Association on newsprint price, quality or quantity
- No special agreements with the advertising agencies
- Publishers are forbidden to "hunt" readers by giving out free samples
- No free special issues attached to the paper
- No special offers to new subscribers

The last three points were particularly often discussed in the Publishers' Association. Improving the product by printing free special issues in addition to the normal paper or promoting the paper by giving out free samples triggered of "wars" between newspapers. We would consider improving the product and active marketing as normal competition, but in the 1920s they were interpreted as rude and highly offending acts towards colleagues in the same geographical district. Losers in this system were obviously the reader, who did not get the special issues on Christmases, summer fairs, nutrition and health, science and fashion, which they could have got.

The rules of the Publishers' Association did not formally exclude socialist newspapers. In theory, they were free to join. In practice, however, they did not: *'They have not applied for a membership, and they have not been invited to do so. [...] The political division is so deep in our country, that this is only natural.'* concluded Associations' representative and the first historian Arvo Pehu-Lehtonen in 1934.²² The social democratic and leftish newspapers established their own association in 1917 called Työväen Kustannusliike (Labour's Publishing Company).

The division was ideologically well motivated, but what about from the business perspective? Did not the bourgeois and leftish papers both compete for readers and advertisements?

²⁰ See for example, Jensen-Eriksen, (2013) 'A potentially crucial advantage'

²¹ Pehu-Lehtonen, (1934) *25 vuotta sanomalehtien yhteistoimintaa*, p. 17.

²² *ibid.*, p. 19.

Obviously they thought they did not, but in reality the Finnish readers in the 1920s and 1930s were politically less faithful with their newspaper choices than the publishers expected. People voting for social democrats did not necessarily read social democratic newspapers, if a liberal paper, such as *Helsingin Sanomat*, offered more reliable and entertaining news. The "political unfaithfulness" of the average reader is clearly evident in the capital city, where *Helsingin Sanomat* started increasing its popularity among the workers in the 1930s, while circulation volumes of the social democratic leading paper *Suomen Sosialidemokraatti* took a steep downward curve. The conclusion therefore is, the social democratic and liberal (and less so conservative) papers competed, in reality, of the same readers.

In our view, particularly the leftish papers would have benefitted greatly from collaboration with the Publishers' Association. Archive material suggests that the *Työväen Kustannusliike* followed the development of the subscription prices of the cartels and revised their price levels accordingly, but being outside the cartel they did not gain any other benefits.²³ Newsprint prices were higher and the paper quality weaker for leftish papers. The advertisement prices were lower. As outsiders, the leftish papers faced a serious advertisement embargo from the wide bourgeois business circles during the turn of the 1930s, when anti-communist and anti-socialist sentiments gained ground and extreme right Lapua Movement briefly got a substantial following in Finland.

This embargo shattered the economy of most leftish newspapers. Therefore, we conclude that early collaboration with the Publishers' Association might have saved them. But then again, the newspapers' owners were a part of various ideological and political communities rather than being just professional businessmen. This makes the prevalence of politics over business in the newspaper industry understandable. The left and the right simply did not get along together. While in other Nordic countries the bourgeois and leftish papers collaborated in commercial matters already in the 1930s, the Publishers' Association in Finland the first publisher of social democratic paper as its member no earlier than 1960.²⁴ One by one the others joined too. Only at the early 1990s the ideological barriers were low enough to bring *all* the bourgeois and leftish papers within the same organization.²⁵

How did the cartel worked during the interwar years? The subscription price regulation was easier to organize and therefore it worked relatively well, but the coordinating business with the advertising agencies (and their collectives) as well as with the Finnish Newsprint cartel was more difficult.

Subscription price regulation: minimum prices

The subscription regulation was one of the most successful cartel activities of the Publishers' Association in the interwar period. The subscription price regulation worked between 1918 and 1939 through regional agreements that defined the minimum prices for a newspaper. Example from 1929:

²³ Työväen arkisto, Kansanvalta Oy, meeting minutes 1920-1930.

²⁴ KS; SL; Ca 9; Tiedonanto 1937

²⁵ Tommila, Perko, et al, (1988) *Suomen lehdistön historia 3*

Table 4: Minimum subscription prices 1929

District and newspaper type	Minimum prices in Finnish marks
Helsinki, 7 x week	
Morning papers	165,-
Afternoon papers	110,-
Special issues for provinces	120,-
Provinces	
7 x week	130,-
6 x week (average more than 6 pages)	110,-
6 x week (average less than 6 pages)	100,-
6 x week (regular 4 page)	90,-
All districts	
4 x week	70,-
3 x week	55,-
2 x week	35,-
Week magazines	25,-

Each fall, the general meeting of the Publishers Association reviewed the price level and decided upon renewing it. Between 1917 and 1939 it was renewed yearly.²⁶

Why did the minimum price regulation work? First of all, defection was easy to detect; you could check the price of the competitor simply by buying the product and checking the subscription prices from the last page. Also the word travelled fast in a small country. When *Helsingin Sanomat* reached out for new provincial readers in early 1920s and offered a subscription price of 150,- instead of the "list price" 160,-, it was quickly detected by the local bourgeois papers and reported to Publishers' Association. Cartel members knew the list prices. They controlled each other and complained easily about each other's behaviour – in fact, the complaints became so common that the Publishers Association decided in 1924 to enact a heavy fee for the cheater OR for the informer if it turned out that the accusation was groundless.²⁷

Secondly, mutually agreed price level supported the newspapers' profitability. Lifting the subscription and advertisement prices was essential each year from 1917 onwards, and particularly during the skyrocketing newsprint prices 1918-1922. Doing so collectively was even more vital.

It appears though, that the cartel headquarters did not receive reports of cheating only under circumstances where the rivals were tired of long-lasting competition and concurring violations of joint rules. It seems plausible that the publishers played tit-for-tat for some time before reporting the violations to the association. Typically there were difficult personal disputes behind the cases sorted out by the cartel headquarters. Publisher wanted to attack the other by reporting it to the cartel. Defections were reported from all provincial markets at some point between 1918 and 1939.²⁸ The contemporaries complained much about the un-collaborative

²⁶ KA, SL;

²⁷ KA, SL; Ca2.

²⁸ KA, SL, Ca2.

attitude among the publishers and that it was such hard work to make all cherish the importance of mutual interests.

The perennial cartel conflicts did not lead to disintegration of the Publishers Association – or at least, not yet in the interwar period. It was, in the end, more beneficial for the publishers to be in the cartel than being out.

Gaining bargaining power vis-à-vis the Paper Cartel

Gaining bargaining power against the paper cartel, the Finnish paper association, was one of the main reasons why the publishers started to collaborate. Yet, it proved a difficult to create a permanent negotiation channel between these two cartels. It did not bring great benefits to publishers in the interwar period. In the long run, however, the centralized price negotiation on newsprint became an institutionalized part of domestic newsprint trade and, indeed, one of the most important and long-lasting practices of the publishers' cartel. The system was started in 1920, but its hey-day came later.

The skyrocketing prices of newsprint at the turn of the 1920s created problems for the newspapers, not least because the two fields had different pricing traditions. While the newsprint industry lifted prices several times a year, newspapers could not do so, at least not with their subscription prices. Most readers were permanent subscribers, who subscribed the paper for a pre-defined price for their subscription period (a year). New readers were difficult to reach if they paid double as much as the old readers.

The reality in 1917 for the Finnish publishers was that the newsprint suppliers raised their prices several times a year and the publishing companies could do nothing but pay. Therefore, the target of the Publishers' Association was to bring stability and long-term pricing for the members.

Paper industry was not very eager to negotiate. For obvious reasons, it would have rather seen the newspaper publishers unorganized in this field. Publishers' Association approached it several times without results. The conflict went so far that the Publishers' Association took the matter to the government and invited the state to solve the problem. As many publishers were involved in politics, and their industry itself was politically influential, it was easy to find sympathetic listeners. As opinion leaders and often policymakers, publishers were without a doubt capable of winning their case with the most heart-melting arguments.

The Publishers' Association called the owners of the paper mills "*greedy paper lords*"²⁹ whose lust for profits were threatening the democracy itself. According to the newspaper publishers' arguments, the high newsprint price would destroy the Finnish bourgeois press and leave the society in the mercy of communist propaganda. The Publishers' Association claimed that the leftish press was safe from capitalist competition because it enjoyed generous financial supports from the international communist network. This was true perhaps only in certain cases, but in general, the leftish press was always doing worse than the bourgeois. The Publishers' Association pleaded the Paper Association to be reasonable and start negotiating, or the Publishers' Association would not have other choice than to ask for a government intervention

²⁹ "Ahneita paperiherroja"

in the form of, for example, a price freeze. Possible solutions were considered in different ministries, but eventually the Paper Association gave in and a negotiation channel was opened.

The private negotiations were not successful from the customers' point of view. Publishers' Association did not reach the victories it was hoping for in the 1920s, but in the interwar period it nevertheless did build a foundation for collaboration that would bear fruit later.

It appears that Publishers' Association could influence the price level only little. For the good part of the 1920s the Publishers' Association went to the Paper Association only to hear what the price was going to be, rather than to bargain on it. The Paper Association still could largely dictate the prices and upgrade them multiple times a year. Furthermore, besides that the prices were high, there were also paper quality and distribution problems.³⁰ The paper mills covered up the export costs by keeping the domestic prices above the export prices. In times of high demand they also could snatch the newsprint meant for domestic use and send it abroad. This led to domestic paper shortage and, again, higher domestic prices. Sometimes the paper mills shipped the premium quality abroad and sold second quality to domestic press against what had been agreed with the publishing companies.³¹

What made the situation totally unbearable for the publishers was that they could not do anything about it. The competition restriction agreements between the Nordic and Baltic newsprint suppliers allocated the domestic markets for the domestic suppliers. The Publishers' Association was weak *vis-à-vis* Paper Association because it could not make a credible threat of buying newsprint from some other supplier. There was no other supplier.

Sources suggest that the relations between the Publishers' Associations and the newsprint suppliers improved throughout the late 1920s and the 1930s. The two associations met more regularly and the price raises did not come as a surprise. System where the Publishers' Association negotiated on the newsprint price on behalf of their members became established during the interwar period, although some of the major papers (like *Helsingin Sanomat* and *Uusi Suomi*) continued to make direct agreements with the Paper Association. In the late 1920s the Publishers' Association even managed to bargain the price level down a bit. Nevertheless, according to the contemporary understanding, the relations between the newspaper publishers and the newsprint suppliers were tense and un-even, to say the least.

Advertisement prices

The third important cartel activity between the publishers was regulating the advertisement prices. This was as important for the economy of a newspaper as regulating subscription prices. In a typical bourgeois newspaper the advertisement revenues were as big as the subscription revenues (see Table 2).

However, maintaining the advertisement price discipline was much harder than the subscription discipline. The reason for this was that while the newspapers collected the subscription revenues from the readers (b-to-c, business-to-consumer), the advertising money came from other firms (b-to-b, business-to-business). In controlling the advertisement prices, the Publishers' Association needed to negotiate not just among the publishers, but with the advertising agencies too. When the Finnish advertising industry was in a rather chaotic and un-organized by

³⁰ Pehu-Lehtonen, (1934) *25 vuotta sanomalehtien yhteistoimintaa*, p. 63.

³¹ KA; SL

character in the interwar period, the Publishers' Association did not have a coherent negotiation partner. The relations between the newspapers and the advertising agencies were "garbled" in the 1920s and 1930s.³²

Regulating the advertisement prices kicked off in the 1910s along with the emerging consumerism and the rise of advertising business. Firms selling consumer goods and providing services paid for advertising agencies to make their products and services visible for the consumers through the newspapers. The advertising companies naturally worked towards bigger profits for themselves, and sought for the lowest possible price that they could sell the advertisement to newspaper. When one newspaper accepted a low offer, the ad-agency could use it as an "accepted market price" and sell it with the low price also to other newspapers.

This triggered the drive towards minimum advertisement prices between the newspapers.

Just like with the subscription prices, the Publishers' Association agreed on common minimum prices for advertises. Table 5 highlights the level of detail involved.

Table 5: Minimum advertisement prices 1929³³

Minimum advertisement prices		
Before text		1.00,-/mm
After text		1.10,-/mm
In the text		1.20,-/mm
Maximum discounts for domestic and international advertisers		
1) <i>Uusi Suomi, Helsingin Sanomat, Hufvudstadsbladet</i>		
For ad sales worth (per month)	500,-	5%
	1000,-	10%
	2000,-	15%
2) <i>Karjala, Aamulehti, Tampereen Sanomat, Turun Sanomat, Uusi Aura, Åbo Underrättelser, Maaseudun Tulevaisuus, Iltalehti, Svenska Pressen, Kauppalehti, Kotimaa, Suomen Urheilulehti</i>		
For ad sales worth (per 3 months)	600,-	
	2000,-	5%
	3000,-	10%
For ad sales worth (yearly)	30 00,-	15%
		Extra 5%
3) <i>Satakunnan Kansa, Vaasa, Ilkka, Savo, Kaleva, Kaiku, Liitto, Maakansa, Vasabladet, Savon Sanomat, Hämeen Sanomat, Keskisuomalainen, Sisä-Suomi, Lalli, Länsi-Suomi, Turunmaa, Vasa Posten, Käkisalmen Sanomat</i>		
For ad sales worth (per 3 months)	500,-	5%
	1500,-	10%
	2000,-	15%
For ad sales worth (yearly)	20 000,-	Extra 5%
4) <i>All other newspapers</i>		
For ad sales worth (per 3 months)	400,-	5%

³² Viranko, (1966) *Suomen sanomalehdistö*, p. 67.

³³ KA, SL; Ha1.

For ad sales worth (yearly)	800,- 1200,- 10 000,-	10% 15% Extra 5%
No cash discounts, no special billing discounts. No discounts for province, city, state announcements and ads.		
Discounts for church announcements and charity ads max. 25-50% depending on how much the event produces profits. Balls and alike are allowed less discounts than meetings and other free-entrance events etc.		
No free advertising for personal announcements, lotteries, name lists of hotel residents, newly published books, no in-text advertisements		
Following advertisement agencies are granted following discounts		
Sanomalehtien ilmoitustoimisto		-12% (HS, HBL, US) -15% (other papers)
Suomen Ilmoituskeskus		10-20% according to an agreement signed in 27.3.1929
Advertising agencies are not allowed to under-sale the newspapers' ad prices		
Other advertisement agencies have the same discount than their clients had should they trade directly with the newspaper		
Exchange advertisement (= newspapers exchange ads with each other)		
Between newspapers in other municipality		-15%
Between newspapers in the same municipality, or weekly magazines in other municipalities		-10%
Between weekly magazines in the same municipality		-5%
No exchange of advertisement with newspapers that are not members of Finnish Publishers' Association.		
Newspapers are not allowed to have any extra advertisement appendixes		

In our view, the detailed character of the minimum advertisement prices suggests that the pricing was, as a whole, much more complex than in the case of subscriptions. The subscription prices were collected from the consumers (no room for bargaining) while the advertisement money was collected from other firms (plenty of bargaining opportunity).

The advertisement pricing was more complex, too. By complex we mean that there were a lot of aspects that affected the eventual price; such as the size of the advertisement, page it appeared in, with or without illustrations, was it a one-time ad or regularly appearing ad, was the ad sold through an ad-agency or directly from the firm, did the advertisement come from another newspaper (in the same municipality or elsewhere). Newspapers in the Helsinki district obviously had different prices than regional papers; and within the district, different sized newspapers had their own price scales. There was so much to bargain on that a skilful salesman could reach a fair deal.

The advertisement price scale can be seen as an attempt to narrow down the wild bargaining.

Also, because the advertisement trade was business-to-business the pricing was substantially less observable. Newspapers could not collectively monitor the advertisement prices because the bargaining between the ad-agency and newspaper altered the eventual price. In other words, the printed out price in the newspaper was not necessarily the final market price. For a newspapers the chance of being caught for selling an advertising slot for too cheap was not particularly big.

We have not conducted more detailed comparisons regarding which worked better, the subscription controls or the advertisement controls, but taking into account what we know about the preconditions of successful cartels in general it is plausible that it was the subscription controls that worked more successfully. According to theories, observability and rigidity (in terms of how much room there was for bargaining) of prices improved the workings of a cartel.³⁴

The advertisement minimum price agreements were agreed, as suggests above, between the newspapers. There were a few advertising agencies mentioned, but it is clear that the agreement was still in 1929 an inter-firm agreement between the newspapers. The advertising agencies did not collaborate in commercial questions through central organization, which was tricky for the Publishers' Association. Unlike in Sweden, for example, the advertising business in Finland was a collective of freely competing and un-organized entrepreneurs in the interwar period. Until the post 1945 period, the Publishers' Association did not find a coherent negotiation partner, but they had to seek for practices through individual negotiations and agreements with the biggest advertising agencies and make singular agreements with them.

The un-organized character decreased the interest of the established advertising companies to tie their hands with commercial agreements with the Publishers' Association; the fixed prices and discounts brought them disadvantage.

Cartel control

The main method of controlling the cartel was exclusion. If a member did not follow the minimum subscription and advertisement prices, it would be excluded from the networks of the bourgeois newspapers.

The control practices were not written in the formal rules of the association, but interwar practices and particularly the economic crisis at the turn of the 1930s shows how the cartel really worked.

The deviating members were excluded from the wide business network of bourgeois publishing industry. This meant printing presses, news agencies, advertisement agencies, distribution channels and most importantly, the paper mills. The cartel encouraged these networks to discriminate the outsiders or cartel cheaters. Throughout the 1920s there was a dedicated person appointed in the Publishers' Association to keep an eye on the bourgeois newspapers and their compliance towards various minimum price agreements. He brought emerging

³⁴ Suslow, (2005) 'Cartel contract'. Schmitt/Weder, (1995) 'Sunk Cost' Green/Porter, (1984) 'Noncooperative Collusion' MacKie-Mason/Pindyck, (2007) 'Cartel Theory' Levenstein/Suslow, (2006) 'What Determines'.

problems and deviations to the attention of the leaders of the Publishers' Association which often pondered '*how to damage the business*' of these cartel-damaging newspapers.

The evidence suggests that embargoes (advertisement, news, distribution, paper mills) were used, and not just towards the cheating cartel members but towards all newspapers outside the cartel. This meant, for example, the whole leftish papers. They paid more for printing facilities, news, advertisements, distribution channels and printing paper, or received lower quality materials.

Therefore, the bourgeois newspaper cartel was not just an inter-firm cartel defending minimum prices, but one node in the wider bourgeois publishing network that brought economic benefits for the members, and economic disadvantages for outsiders.

In short, the cartel could make the business of an outsider very difficult and substantially less profitable. The cartel did not just control its own members but sought to harm the business of other competitors. Being in a cartel, therefore, was an easier choice for a bourgeois publishing company than not being a member. The Publishers' Association cartel had considerable economic power in the newspaper business.

A New Era: 1945-1968

During the years of the World War II, the newspaper and newsprint prices were regulated by the government. The cartel was inactive, because there was little room for it to operate.

The newspapers' cartel changed substantially during 1945-1968. Publishers' Association stopped being the active cartel headquarters that decided on the prices and received complains about chicanery as well as plotted against non-cartel newspapers. Instead, it became an instance that issued price recommendations and which also negotiate on behalf of its members on newsprint and advertisement prices. It could no more make its members to follow price fixing practices with sticks and carrots.

The source material is ambiguous, but it is our assumption that the subscription and advertisement price fixing activities became more one-on-one agreement between regional competitors: the cartel did not "disappear", but became more fragmentary. The Publishers' Association strongly encouraged members to maintain price discipline throughout the 1950s and 1960s, but it did not actively control and supervise compliance like it did in the 1920s and 1930s.

The gradual decline of the cartel was a symptom of various internal and external pressures. The most important internal pressure was the break-up of the bourgeois cartel front within the Publishers' Association; in 1950 altogether 14 newspapers representing politically the *Agrarian League* (Maalaisliitto) left the cartel and opened the game for freer competition.³⁵ The fragmentation did not occur only in the bourgeois newspaper front, but also the Työväen Kustannusliitto got a competitor, which emerge was triggered by a birth of a new communist-dominated leftish party *Suomen Kansan Demokraattinen Liitto* (SKDL)

There were also many external pressures after the World War II, but the most important ones hindering the working of the newspapers' cartel were, firstly, governmental post-war price

³⁵ Pesonen/Pyyluoma, (1996) *Maakuntien ääni*.

regulation that continued apparently until the early 1950s, and secondly, the introduction of the anti-cartel laws.

Emphasis of cartel activity in the 1945-1968 targeted on the negotiations with the advertising agencies and the Paper Association. Regulating subscription and advertisement prices occurred too, but compared with the rather systematic and formal cartel arrangements in the interwar years, direct price fixing in the post-war years became somewhat toothless.

The internal pressures

The two interwar lobby organizations split into two, and in the 1945-1968 there were altogether four lobby associations.

Table 6: newspaper publishers lobby organizations from 1950 onwards

Organisation (In English, *our translation)	Organisation (In Finnish)	Cartel	Members	Political allegiance	Newsprint consumption in 1960
Finnish Newspapers' Association	Suomen Sanomalehtikustantajien Liitto	YES	70 (periodicals included)	right	26,1
*Association of Rural Newspapers	Maaseutulehtien Liitto	NO	14	right	1
*Labour's Publishing Company	Työväen Kustannusliitto	NO		left	4
*Association of Democratic Publishers	Demokraattisten Kustantajien Liitto	NO		left	2

Source: Annual report of Finnish Newspapers' Association 1953. KA, SL, Ca 9.

After the *Agrarian League* left the Publishers' Association in 1949, the member strength of the Publishers' Association dropped from 94 to 80. At first glance the decline in membership is not devastatingly huge. However, we must consider few points. First of all, in the "80" are included not just newspapers but periodicals (which obviously were not competing with the newspapers). In the "14" there were only newspapers coming out 6-7 times a week. The total competitor pool in the 1950 among the newspapers of any political affiliation coming out 6-7 times a week was 61.³⁶ Out of these, altogether 46 newspapers were considered either politically independent or bourgeois-minded. Therefore, 46 is closer the actual pool of competing Finnish bourgeois/independent newspapers in the 1950.³⁷ Now, if 14 newspapers out of these 46 left the cartel, the decline in membership seems more important. Also, when we contextualize the

³⁶ Tommila, Perko, et al, (1988) *Suomen lehdistön historia* 3, p. 319.

³⁷ *ibid.*, pp. 319-331.

change in the provincial markets, it becomes clear that the take-off of the *Agrarian League* from cartel played a substantial role in the gradual decline of the cartel even though the newsprint consumption figures prove that the Publishers' Association still represented most of the industry.

In the 1950s, a typical newspaper market in Finland was a town with 44 000-63 000 inhabitants.³⁸ Typically in this sort of market there were two to three daily newspapers that were published 6-7 times a week. They were all either bourgeois paper or one of them (yet rarely) was a social democratic newspaper.³⁹ Leftish newspapers were rarer in the 1950s, so it is safe to say that the *typical provincial newspaper* market was divided by a few bourgeois newspapers.⁴⁰

Let's call these two bourgeois newspapers as *A* (liberal or conservative right) and *B* (*Agrarian League*).

When the Publishers' Association united the bourgeois front in 1918-1939, *A* and *B* had the same subscription and advertisement prices defined by the cartel. But after the World War II, when *Agrarian League* left the cartel, the *A* and *B* were not bind by common price levels. They competed freely.

Furthermore, if one out of three, or let alone one out of two competitors quit the game, the cartel became substantially less lucrative for the remaining players. After all, price regulation in provincial market where there were 2-3 competitors was effective only in case *all* the players followed the rules. It did not help *A*'s business that it was in the same subscription price level with *other* liberal right newspapers in *other towns*. It needed local co-players to conduct the game. Hence, the price regulation lost its efficiency in 1948-1968.

To conclude, the establishment of the *Association of Rural Newspapers* drew 14 members away from the cartel and changed radically the provincial newspaper markets. The incentive for bourgeois newspaper to honour the cartel agreement was significantly decreased when the newspapers did not find collaborators in the local market. It is therefore perhaps not surprising that Allan Viranko, an official working for the Newspapers' Association sent bitter letters to leaders of *Agrarian Papers*. Several of them began with Julius Caesar's famous last words: "Et tu, Brute?" ("And you too, Brutus?")⁴¹

The effect of the decline in membership of the Publishers' Association in 1950 was that the formal minimum subscription and advertisement price agreement that prevailed among the members of the Publishers' Association in the 1918-1939 fell apart as a centralized system and was replaced with de-centralized system of one-on-one that worked vaguely.⁴²

Before moving on with the external pressures hindering the working of the cartel it is worthwhile mentioning that the *Association of Rural Newspapers* was not particularly successful lobby organization. It did not deliver any commercial competition benefits to its members; no

³⁸ In the 1950s, ten Finnish biggest towns out of 20 had inhabitants between 44 000 and 63 000. Only three had over 100 000 (Helsinki 380 000), and the remaining were less than 44 000.

³⁹ Jyväskylä, Oulu, Kokkola, Vaasa

⁴⁰ *ibid.*

⁴¹ KA, SL, FA 20

⁴² Viranko, (1966) *Suomen sanomalehdistö*, p. 55.

minimum price regulation in subscription or advertisement prices was enacted, no wonderful deals with the paper suppliers delivered. It is hard to define the commercial motivation why the newspapers joined this association.

External pressures

Even if the *Agrarian League* did not leave the Publishers' Association and the cartel had stayed unified in the post-war period, there were no guarantees that the cartel would have flourished. The regulation environment in Finland after the World War II was not as supportive towards private cartel activities in newspaper industry as before.

The newsprint market was controlled until the 1949 by the war-time regulations, and only from 1950 onwards the Publishers' Association could negotiate on the prices and qualities with the Paper Association. As what comes to the newspapers' subscription and advertisement prices and their governmental control, the previous research suggest that it lasted until 1947, but in fact documents indicate that control of subscription prices lasted until 1954.⁴³

It is safe to say that from the mid-1950s onwards there were no governmental controls of any kind regulating the commercial aspects of the newspaper industry. Fruitful soil for private cartel lasted, however, less than a decade. In 1962 as a part of emerging of the Finnish anti-cartel laws, the government started monitoring the agreements made between the advertising agencies and the Publishers' Association. They made these agreements public. Few years later the minimum price agreements were prohibited.

The relations of the Publishers' Associations with the advertising industry and the paper industry have been described as vague, undefined and dense in the 1950s and early 1960s. Based on the source material we affirm this interpretation. It appears that after the mid-1960s the relations between the advertising companies and newspapers got more formal, and both parties were ready and able to find through negotiations some norms and practices to do business. But until then, the negotiations with the advertising industry were difficult to conduct due to conflicting interests between and within the partners.

In 1965 the advertising agencies and the Publishers' Association reached an agreement that defined price norms and other practices in the advertising trade between the members of the Publishers' Association and the members of the Advertising Association. The year after that also the three remaining newspaper lobby organizations along with various organizations representing advertising industries signed the agreement.⁴⁴

It appears that also in the relations between the newspapers and the newsprint suppliers the 1960s introduced a change for better. The Publishers' Association and Paper Association started to conclude long-lasting agreements (two years) on paper prices and volumes.

The lobby organizations did collaborate in some level. They, for example, negotiated yearly together with the most important advertising agencies and the Paper Association, but it appears there was no continuity and predictability in practice. Sometimes the *Association of Rural*

⁴³ *ibid.*, p. 40. Tommila, Perko, et al, (1988) *Suomen lehdistön historia 3*, p. 64. KS; SL; Ca 9 (Tiedonanto 1954), Fa 20. Correspondence 1954. A letter from the Ministry of Social and Health Affairs, 23 March 1954.

⁴⁴ Viranko, (1966) *Suomen sanomalehdistö*, p. 84-87.

Newspapers did not send a representative at all to these negotiations but negotiated privately with the paper suppliers and the advertising agencies. In other words, in some years it did not collaborate with other lobby organizations, and in others it did. The same was true in the case of the leftist association. Mutual distrust and the un-collaborative attitude towards rivaling political groups hindered the formation of broader collaboration.

What the changes 1945-1968 meant for the cartel?

The break-up of the bourgeois front in the Publishers' Association meant two things for the cartel. First of all, as explained above, the minimum subscription and advertisement price policy became substantially less lucrative for the cartel members, and hence, the previous price regulation became price recommendation. Secondly, now that the newspaper business was influenced by politically defined lobby organizations, the bourgeois newspaper industry could not present unified and strong in the negotiations with the advertisement industry and the paper industry. This weakened the position of the newspaper publisher's vis-à-vis the newsprint suppliers and the advertisement agencies.

It would be interesting to define with more statistical precision how exactly the cartel patterns affected the newspapers economies; how the decay of cartel affected the subscription and advertisement prices or the overall profitability of Finnish newspaper business? At the moment we do not have detailed answers. Based on the notions made in the materials of the Publishers' Association and the previous research on price trends we can, nevertheless, draft an approximate hypothesis.

The general trend in 1945-1968 in all Finnish bourgeois newspapers, regardless their affiliation in one organization or another, were declining subscription revenues and increasing advertisement revenues.⁴⁵ The level in subscription and advertisement prices were lagging behind the Nordic average. The profitability of Finnish newspaper business was estimated in the mid-1960s as very low. The profile of the Finnish newspaper business compared with the Nordic countries can be concluded as following in 1960:

- second smallest population
- more newspapers in total number than anywhere else (7 x week newspapers in Finland: 25, Sweden: 14, Denmark: 6.)
- lowest subscription and advertisement prices

Low subscription prices are understandable through high market saturation. A product must cost less if there is plenty available. On the other hand, we think that also the competition environment which appears considerably freer in the 1950s than in the interwar years made the cartel volatile and the newspapers more eager to compete with price.

Price wars are known to trigger cartelization – so why the lagging price level did not encourage the newspaper publishers for collaboration? Beside the low price level, possible cartel-triggers in the market were rising newsprint costs and rising demand of newspapers. In fact, the post-war markets looked in 1918 and 1950 quite similar. The newsprint price skyrocketed, the demand for news rose and revived trade created demand for advertising space in the newspapers. Why all this led to cartelization in 1918, but in 1950 to the opposite?

⁴⁵ Tommila, Perko, et al, (1988) *Suomen lehdistön historia* 3.

We do not have any other explanation than the politics and government influence. The diverging interests were there already in the interwar period, but the mutual interests and enemies nevertheless kept the bourgeois-minded front in one piece. The Finnish society and the political field changed after the 1945, and unleashed the differences within the political right.

The inability of the bourgeois-minded and the *Agrarian League* –minded newspapers to conduct a common subscription and advertisement price cartel was just one symptom of the politicisation of newspaper business. When you have a closer look at the organization of newspaper business, you will come across not just any news agencies, photo agencies, advertisement agencies, printing houses and lobby organizations for journalists, but all of these which served the newspapers that confessed the same political ideology. The *agrarian center* created their own news agencies, advertisement agencies etc, and so did political left and its variations. Different political orientations were a defining feature of the Finnish newspaper industry in the post-World War II and to a varying degree until the early 1980s.

This led, of course, to over-production of everything. In the typical Finnish town of 40 000 inhabitants there could be as much as three printing houses for instance, all for newspapers promoting different political ideology. Newspapers confessing the colours of *Agrarian League* launched a news agency of their own because they did not want to use the same as the members of the Publishers' Association.

We conclude that the business decisions made by the newspaper owners in the 1950s and 1960s were not always commercially motivated. Politics played a dominant role in choosing with whom to trade and collaborate with. This was also the primary reason why the elements that led to cartelization in 1918 did not do so after 1945.

It is an interesting finding, particularly against the backdrop of previous interpretations frequently concluding that the Finnish press began its journey towards political independency in the post-1945 period.⁴⁶ Interpreting the political aspects through business historical methods, we must conclude that the politics gained momentum in the Finnish newspaper business after the war. Political divisions directed the strategic decision concerning competition configuration, such as membership in a cartel.

Government support

State interfered into newspaper business also by launching a new support scheme for financial help targeted to newspapers. The research on newspapers' profitability conducted in the mid-1960s had shown that Finnish newspapers were highly unprofitable. In fact, most of them were in the brink of bankruptcy. The solution of the social democratic government (1966-1970) was to revive the withering sector by financial support, which would not be granted directly to the publishers but through political parties. The parties would distribute the money to the newspapers. The principle of targeting the financial help was to support the weakest and keep

⁴⁶Does this mean that the content of the newspapers became less political or indeed that the newspaper business became less political? In our view, the newspapers detached from the political parties in the sense that they stopped being their messengers. It is questionable, however, whether the newspapers' owners or the journalists let go of the broader ideological biases. Our interpretation is that the newspapers detached from their affiliations with the political parties, but still continued to express their agrarian centre, liberal or whatever political worldview although outside the parties realm.

them artificially alive. This, obviously, distorted greatly the competition between the newspapers and detached the newspaper business from the markets. If a publisher had been conducting its enterprise profitable and was well-off, it was punished by not giving him free money. On the other hand, poor business thinking was rewarded. This system prevailed from 1969 until the end of the 1980s.⁴⁷ Veikko Löyttyniemi points out that although the financial support was only 3-4 percent of the total turnover of the Finnish newspaper industry, it has been a vital source of income to many papers. For instance, for *Turun Päivälehti* or *Kansa Lehti*, the state support was, respectively, 69 and 84 percent of the total turnover.

Our preliminary results regarding collaboration in the 1970s indicate that government's anti-inflationary policies indirectly led to the strengthening of the private cartel. The government encouraged the Publishers' Association and many other private economic organisations to maintain "moderate" prices, which led again to intensified collaboration between the private firms.

Some conclusions

In this paper, we have presented some of our preliminary conclusions of our ongoing research on cartels in the Finnish newspaper business. Our research suggests that cartels may have been as common in newspaper business as in other fields of business. Yet, scholars working on media economics and the history of newspapers have usually had little to say on them, and have preferred to talk about, for example, mergers and acquisitions and concentration of media, which are of course all vital topics as well. We have only analyzed developments in one country, but the commercial motives that promoted cartelization in the Finnish case were probably at least in some form present in other countries as well. Each national market had some special characteristics, but all papers were depended on revenue from the reading public and from companies eager to promote their products via media and all papers needed newsprint which was supplied by an industry itself prone to cartelization.⁴⁸ What happened in Finland could have happened in other countries as well, and we warmly welcome any information or hints the participants of the WBHC conference can give us on similar or diverging developments in other countries.

Newspapers were a politicized field of business both in Finland and in many other European countries. They were often originally set up for ideological reasons in order to spread the views of one or another political group. This hindered cartelization, as we have shown. In Finland the first representative of the socialist press joined the previously fully non-socialist Publishers' Association in 1960, and it took four decades (until the early 1990) until all leftist newspapers had joined the association. The crack between the political extremes was indeed very long-lived, but various bourgeois/liberal papers managed to collaborate even though their background was very different and many of them were organs of competing political groups.

We have so far done little research on the last decades of the 20th century (from the 1970s onwards) but sources suggest that the cartel managed to adapt to new, tougher competition laws by assuming more informal cooperative methods.

⁴⁷ *ibid.*

⁴⁸ See for example Jensen-Eriksen, (2011) 'Industrial Diplomacy'.

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